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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

FACET OF GLOBAL RISKS

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ABSTRACT

The financial crisis has reduced global economic flexibility, while increasing geopolitical tension and sensitive social concerns establishes that both governments and societies are less able than ever to cope with global challenges. The crisis has established sufficient reasons to rethink many of our ideas as the crisis has strengthened the claim that there is no free lunch or that it is not possible to beat the market in risk adjusted terms like all those apparently low risk, high return investments turned out to be high risk. Further global financial crisis has weakened the claim that many prices were clearly not right. Industries , with the changes in technology, market vis-a-vis growing demands etc , risk profile also gets change with the pace of evolution. Major industries have gone through heterogeneous experiences range from an all-out collapse and radical restructuring. Accordingly, there is a need now to about turn some of the key areas where severe unexpected or underappreciated consequences may happen like maintaining Cyber-security, to face demographic challenges& economic nationalism, long term effects on Chinese interests in purchasing struggling manufacturing companies , recurrence of the similar acts by the Group of surviving suppliers, effects of Global Value Chain and Government bailouts in the form of protectionist, risks of the increased internationalization trends,currency markets volatility,tax implication due to growing acceptance of International Financial Reporting Standards (IFRS) around the world, threats from oil resources countries etc. The purpose of the paper is to indicate the above key concern areas and suggested ways to insulate them for the overall benefit of the global economy.

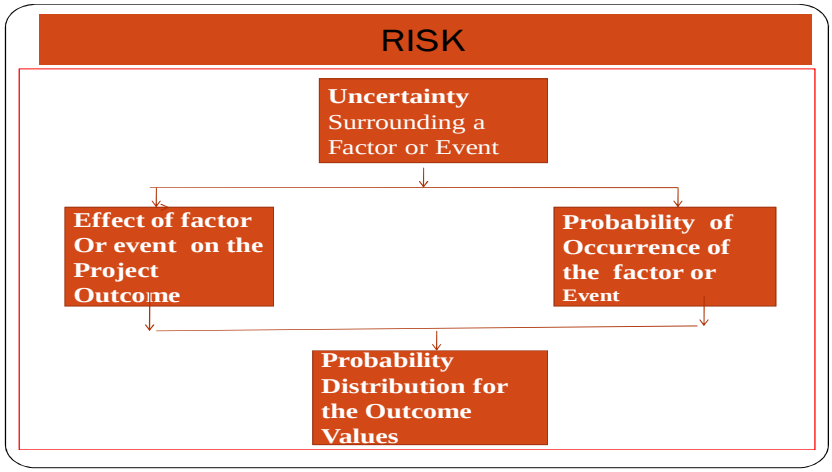
KEYWORDS
global risks, IFRS.

1. INTRODUCTION

1.1 RISK

Risk is what's left over when you think you've thought of everything else," opined by Carl Richards, a renowned Financial advisor. *The oxford English Dictionary definition of risk is "a chance or possibility of danger, loss, injury or other adverse consequences and the definition of at risk is "exposed to danger'. The origin of the ward "Risk" is either the Arabic word "Risq",(connotations of a unexpected and favourable outcome) or the latin ward "Riscum"(connotations of an equally unexpected but unfavourable event). In the twelfth century,*
Greek derivative of the Arbic ward" Risq" interpreted as chance of outcomes in general and have neither positive nor negative implications. Ultimately the ward "Risk "entered the English language in the mid seventeenth century. Risk is an important fragment of every human life. From the moment we get up and started our daily life like , drive or take public transportation to get to school or to work until we get back into our beds (and perhaps even afterwards), we are exposed to risks of different degrees.
In human history, risk and survival have gone hand in hand. In early history, physical risk and material reward also went hand in hand like the risk-taking caveman ended up with food and alternatively the risk-averse one, starved to death.
Further, the gradual development of the shipping trades created a new arena for risk and return. In the last couple of centuries, the arrival of financial instruments and markets, on the one hand and the growth of the business on the other, has allowed global economy to separate physical from economic risk.
In 1921, Frank Knight summarized the difference between risk and uncertainty as uncertainty must be taken in a sense radically distinct from the familiar notion of Risk. It is true that risk that is measurable is easier to insure but we do care about all uncertainty, whether measurable or not. Generally, risk is composed of four parameters viz probability of occurrence, severity of impact, susceptibility to change besides degree of interdependency with other factors of risks. In probability and statistics, financial management, investment management etc, risk is often used in a more specific sense to indicate possible variability in outcomes around some expected value and other times to describe the expected losses. It is established that risk is related to future events and their consequences. We do not know now whether the events will occur or not and if occur what will be the consequences. Whether an event will occur and that specific consequences will result, can be expressed by means of probability.
*Risk concept in regard to **uncertainty, probability, effect and outcome** can be figured out as under:*

FIG.: 1



1.1.1 RISK AND UNCERTAINTY

Risk and uncertainty have been part and parcel of human activity since its beginnings, but they have not always been characterized as such. Since old days, events with negative consequences were attributed to divine providence or to the supernatural. The responses to risk under these circumstances were prayer, sacrifice and an acceptance of outcomes. People had a feeling ,if the Gods get involved on our behalf, we got positive outcomes and if they did not, we suffered, sacrifice, on the other hand, calm down the emotional state that caused bad outcomes. There was a feeling that what happened was pre-destined and driven by forces outside our control.

1.1.2 RISK AND RETURN

Those who desire hefty rewards have to be exposed themselves to sizeable risk. The link between risk and return is most visible when making investment choices. Not surprisingly, therefore, the decisions on how much risk to take and what type of risks to take are critical to the success of a business. A business that decides to protect itself against all risk is unlikely to generate much upside for its owners, but a business that exposes itself to the wrong types of risk may be even worse off.

1.1.3 UNCERTAINTY AND UTILITY

In defining risk, Holton (2004) argues that there are two ingredients that are needed for risk to exist. The first is uncertainty about the potential outcomes from an event and the other is that the outcomes have to matter in terms of providing utility.

1.1.4 RISK VERSUS PROBABILITY

While some definitions of risk focus only on the probability of an event occurring, more comprehensive definitions incorporate both the probability of the event and the consequences of the event. Thus, the probability of a severe earthquake may be very small but the consequences are so catastrophic that it would be categorized as a high-risk event. In other ward Risk equals to probability of an accident and consequence is in lost of money or causing death. In contrast, risk in finance is defined in terms of variability of actual returns on an investment around an expected return, even when those returns represent positive outcomes.

1.1.5 RISK VERSUS THREAT

In some disciplines, a contrast is drawn between risk and a threat. A threat is a low probability event with very large negative consequences, where analysts may be unable to assess the probability of an event. A risk, on the other hand, is defined to be a higher probability event, where there is enough information to make assessments of both the probability and the consequences.

1.1.6 ALL OUTCOMES VERSUS NEGATIVE OUTCOMES

There is a need to consider broader definitions of risk that capture both the positive and negative outcomes. Risk is a combination of danger (crisis) and opportunity, representing the downside and the upside of risk. It captures perfectly both the essence of risk and the problems with focusing purely on risk reduction and hedging. Potential of opportunity and the process for minimizing risk exposure are moved opposite directions. Any approach that focuses on minimizing risk exposure (or danger) will also reduce the potential for opportunity.

1.1.7 THEMES

There are two big themes that animate much of the argument.

1.1.7.1 The first is the link between risk and reward that has motivated much of risk taking through history.

1.1.7.2 The other is the under mentioned link between risk and innovation, as new products and services have been developed to hedge and to exploit risk. The other aspect of risk that needs examination is the role that risk taking plays in creating **innovation**. Over the history, many of our most durable and valuable inventions have come from a desire to either remove risk or expose ourselves to it.

1.1.8 RISKS BROADLY DIVIDED INTO TWO

1.1.8.1 SYSTEMATIC RISK

Systematic risk refers to that portion of total variability in return caused by factors affecting the prices of all securities. Economic, political, and social changes are sources of systematic risk.

Nearly all stocks listed on the National Stock Exchange (NSE) move in the same direction as the NSE Index. On an average, 50 percent of the variation in a stock's price can be explained by variation in the market index. In other words, about half of the total risk on an average common stock is systematic risk.

Systematic Risk is further subdivided into:

1.1.8.1 Market Risk, (variation in returns caused by the volatility of stock market)

1.1.8.2 Interest Rate Risk (Variation in bond prices due to change in interest rate)

1.1.8.3 Purchasing Power Risk (Inflation results in lowering of the purchasing power of money)

When interest rate increases, whole economy slowdown & there is no way to hide from this impact. As such there is no way to reduce systematic risk other than investing your money in some other favourable countries.

1.1.8.2 UNSYSTEMATIC RISK

Unsystematic risk is the portion of total risks that is unique to a firm or industry. Factors such as management capability, consumer preferences, raw material scarcity and labor strikes cause unsystematic variability of returns in a firm. Unsystematic factors are largely independent of factors affecting securities markets in general.

Unsystematic Risk is further subdivided into:

1.1.8.2.1 Business Risk (Variability in Operation Income caused by Operating Conditions)

1.1.8.2.2 Financial Risk (Variability in EPS due to the presence of debt in Capital Structure)

Unsystematic Risk affects a small part of economy or sometime even single company. Bad management or low demand in some particular sector will impact a single company or a single sector – such risks can be reduced by diversifying once investments. So this is also called Diversifiable Risk.

2. GLOBAL RISKS

During the recent past, manufacturing industries, in particular, have prompted a new experience due to globalisation, flexible processing technologies, lot of innovation potential in product /process, marvellous customer service etc. The world is in no position now to face major new shocks. The financial crisis has reduced global economic flexibility, while increasing geopolitical tension and heightened social concerns establishes that both governments and societies are less able than ever to cope with global challenges. The important global risks are as under:

2.1 ECONOMIC DISPARITY AND GLOBAL GOVERNANCE FAILURE

Risks are especially significant, given their high degrees of impact and interconnectedness. Economic disparity and global governance failures both influence the evolution of many other global risks and restrain our capacity to respond effectively to them.

2.1.1 ECONOMIC DISPARITY

It is a fact that Globalization has generated sustained economic growth across the board. It has contracted and reshaped the world, making it far more interconnected and interdependent. But the benefits of globalization seem unevenly spread besides even evidences of economic disparity within countries. There is also a growing divergence of opinion between countries on how to promote sustainable, comprehensive growth. Incomes in many Developed Economies are less equal than they used to be. Shrinking tax revenues have further deteriorated the fiscal positions of governments and reduced their ability to ease social hardship. Equally striking contrasts are emerging within national borders also. Gross inequality is not a new phenomenon, but the fact that this year's survey by the global authority, exhibited with a severe income inequality which will be the most likely global risk to manifest in the next 10 years.

2.1.2 GLOBAL GOVERNANCE FAILURE

To meet all these challenges, improved global governance is essential. But this is another 21st century paradox. The conditions that make improved global governance so crucial, divergent interests, conflicting incentives and differing norms and values, are also the ones that make its realization so difficult, complex and confused. As a result, expected contribution of global international organizations in settling disputes fails during the recent past such as the Doha Development Round of the World Trade Organization (WTO) etc.

2.2 CLUSTER OF RISKS

Beyond the above two cross-cutting global risks, three important clusters of risks have emerged.

2.2.1 MACROECONOMIC IMBALANCES

A cluster of economic risks including macroeconomic imbalances and currency volatility.

2.2.2 ILLEGAL ECONOMY

This nexus examines a cluster of risks including state fragility, illicit trade, organized crime, corruption and bribery. Governance failures and economic disparity create opportunities for illegal activities to flourish under the present networked world.

2.2.3 WATER-FOOD-ENERGY

A rapidly rising global population and growing prosperity are putting unsustainable pressures on resources. Demand for water, food and energy is expected to rise by 30-50% in the next two decades, while economic disparities incentivize short-term responses in production and consumption that undermine long-term sustainability. It ultimately could cause social and political instability, geopolitical conflict and irreparable environmental damage.

2.3 POLITICAL RISK

Politics can make many economic decisions look foolish in hindsight. This is especially true in countries where autocratic leaders seem to personally steer policy and where quantitative data is often adulterated. Yet it also applies to develop nations where targeted lobbying efforts can influence policy decisions. Conducting a political-risk analysis turns uncertainty into calculable risk as the businesses are often affected by political decisions in the countries where they operate, at home and abroad. But like other elements of risk, political risk has systematic components that can be isolated by analysts who understand variation across political systems.

Sovereign Risk, sometimes known as political risk, or country risk, is the added dimension of risk associated with doing business with foreign counterparts. As it relates to exports, sovereign risk exists in addition to commercial risk. Sovereign risk involves actions or events that are beyond a foreign customer's ability to control. These include:

2.3.1 Controls placed on foreign exchange by a overseas governments
2.3.2 Sovereign financial uncertainties and vulnerabilities
2.3.3 Riots or civil unrest, Strikes, War
2.3.4 Economic and political uncertainties exist now or are expected in the near future
2.3.5 An unstable or inefficient business environment
2.3.6 Seizure or destruction of property by the government
2.3.7 The amount of foreign debt and the possibility that the country may have borrowed more than it can repay
2.3.8 Changes in the political, economic or regulatory environment that prevent a customer from paying its foreign creditor(s)
2.3.9 The risk that unfavourable changes in a customer's overall currency exchange position might prevent payment of a debt owed to a foreign creditor
2.3.10 Fragility or risk in the commercial banking sector of the country's economy

In a world of full political uncertainty, mitigation of political risk is a significant factor in the success of overseas projects, investments, and contracts. In addition to traditional political risk insurance programs, risk transfer strategies have become increasingly more flexible. They can be channelled through captive management companies, special purpose vehicles, or can be used by financial institutions to mitigate the political risk in their portfolio of emerging market assets

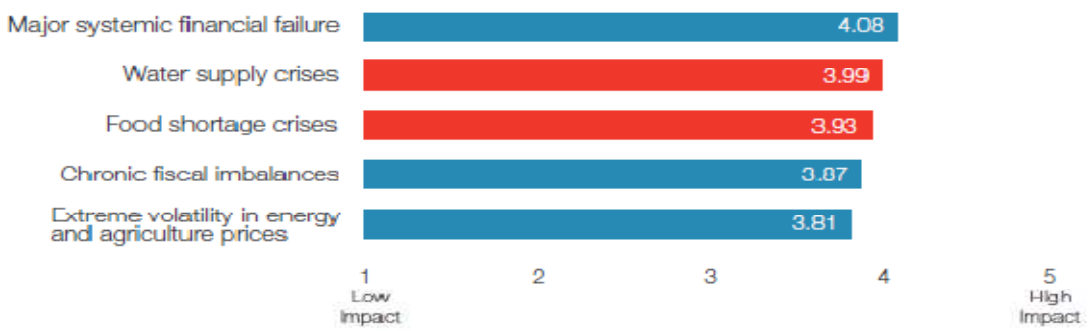
2.4 RECENT KEY GLOBAL RISKS

Experts recently studied the key global risks and placed on landscapes which depict potential impact and likelihood of global risks over the next 10 years, as rated on a 1 to 5 scale. Experts structured on a 10 year outlook, the survey captured the perceived impact, probability and relationships amongst 50 prevalent global risks.All prevalent 50 Risks fall near the High-Impact/High-Likelihood end of the Scale. The five risks which were assessed in this year's survey having the highest perceived likelihood/probability and potential impact over the next 10 years.

FIG. 2: TOP FIVE IN TERMS OF PROBABILITY

Source: WORLD ECONOMIC FORUM

FIG. 3: TOP FIVE IN TERMS OF IMPACT



Source: WORLD ECONOMIC FORUM

During the recent survey, five Centers of Gravity has also been identified by experts, one per category, as the risks of greatest systemic importance or the most influential and consequential in relation to others, as well as the risks that are most strongly connected to them, as identified are:

- Chronic fiscal imbalances (**economic)**
- Greenhouse gas emissions (**environmenta**l)
- Global governance failure (**geopolitical)**
- Unsustainable population growth **(societal)**
- Critical systems failure **(technological**)

Weak Signals, as under, are further defined as risks which are most loosely connected.
- Vulnerability to geomagnetic storms (environmental)
- Proliferation of orbital debris (technological)
-Unintended consequences of nanotechnology (technological)
- Ineffective drug policies (societal)
- Militarization of space (geopolitical)

2.5 THE FOLLOWING GLOBAL RISKS ARE PLAYING A PIVOTAL ROLE IN THE RECENT PAST

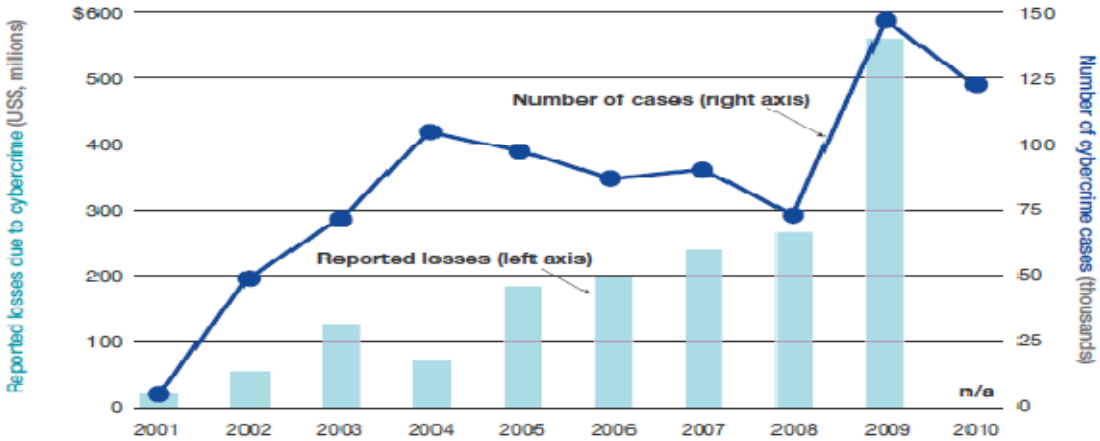
2.5.1 GLOBAL OUTSOURCING OPPORTUNITY AND RISKS

Despite slow-paced and fragile recovery of the global economy, the global outsourcing industry is estimated to post a decent revenue growth of $ 425bn in 2010, 13.9 percent up compared with 2009. However, protectionist sentiments in major markets like US and Europe rose, following the impact of global recession.

2.5.2 CYBER ATTACKS EFFECTS (SABOTAGE, SPYING & SUPERVISION)

In the last decade, the ubiquity of the Internet has transformed the ways in which we conduct business resulting in new ways of operating, landing into new kinds of vulnerability like critical systems failure through cyber-attacks. Clearly, concern over this issue is high. High risk across the board in the form of Cyber attack through hacking, sabotage, spying etc are playing a major threat for corporate. Many companies are not yet looking at cyber risk from an operational risk perspective, despite their all out structural dependence on modern technology. The scale of potential losses is now enormous. All the companies must look at such issues as business disruption loss. It's important for companies to ensure that cyber risk is properly modelled, and that both risk mitigation and risk transfer mechanisms adapt to ongoing basis. Example of Cost and Incidence of Cybercrime in the US.

FIG. 4



Source: WORLD ECONOMIC FORUM

2.5.3 BRIBERY AND CORRUPTIONS

The risk of bribery and corruption continues to be an area of concern for companies around the world. As business continue to expand globally in to new and emerging markets, bribing/corruption risks increased exponentially due to increased awareness and enforcement.

2.5.4 BIOLOGICAL AND NUCLEAR RISK

Biological weapons are disease-causing microbes (chiefly bacteria and viruses) and toxins (poisonous substances produced by living creatures) that have been attached for the purpose of incapacitating or killing humans, livestock, or crops. Further, the world today confronts a growing nuclear risk. The present situation is such that as some states seek to acquire nuclear weapons, others are looking to expand their arsenals.

2.6 KEY PROBLEMS IN MEASURING GLOBAL RISKS

2.6.1 TECHNICAL ASPECTS BASED ON THE FOLLOWING FEATURES

2.6.1.1 Nature of technical risk factors
2.6.1.2 Assessment of Technical Risk Factors
2.6.1.3 Selecting and consulting Experts
2.6.1.4 Justification towards acceptability of technical factors
2.6.1.5 Measuring Technical Risk Acceptability
2.6.1.6 Organization for solving technical risk problems
2.6.1.7 Criteria for ranking the acceptability of technical risk factors

2.6.2 ECONOMIC ASPECTS BASED ON THE FOLLOWING

2.6.2.1 Nature of economic risk factors
2.6.2.2 Methods of assessment
2.6.2.3 Distribution of risk and benefits
2.6.2.4 Analogy with insurance
2.6.2.5 Criteria for ranking economic risks
2.6.2.6 Socio political Aspects

2.6.3 SOCIO-POLITICAL ASPECTS DETERMINES THROUGH THE FOLLOWING

2.6.3.1 Nature of socio political factors
2.6.3.2 Questioners for Assessment
2.6.3.3 Method of obtaining data
2.6.3.4 Surveys of public opinion

2.7 TRANSFORMATION OF GLOBAL RISKS MEASURES

If we accept the argument that risk matters and that it affects how manager and investors make decisions, it follows logically that measuring risk is a critical first step in any decision making process. Global risks originate majorly from external sources. Although they are usually predictable their effect on the outcome may not always be controllable. The four major global risks are political, legal, commercial and environmental risks. These types of risk are often referred to as uncontrollable risks since the corporate entity cannot measure and control such risks even though there is a high probability of occurrence. However, there is an all-time effort to measure and control such risks since long time.

2.7.1 MEHR AND HEDGES (1963), OUTLINED FOUR CONVENTIONAL RISK MEASURES PROCESS

2.7.1.1 Avoidance
2.7.1.2 Transfer through insurance, sharing or Hedging

2.7.1.3 Retention of core risks through self- insurance

2.7.1.4 Reduction of risk (Enterprise Risk Management)

2.7.2 In 1752 Benjamin Franklin founded, in the USA, a fire insurance company called first American. Similarly in 1771, the Society of Lloyds, London, was established by several English business men to insure potential losses while transporting through sea, called marine insurance. The twentieth century actually witnessed the development in probability, a tool for measuring risk in management science. Project risk management had come into force in 1970 and then only thought of measuring risk was taken as priority by corporate.

2.7.3 In the early 1980s the concept of risk measurement was commonly acknowledged as a specific task in the project management literature. Thereafter the concept of risk identification, estimation and response were come to light. Risk measures techniques had also emphasized on quantitative analysis like **PERT** (Program Evaluation and Review Techniques), **CATRAP** (Cost and Time Risk Analysis Program), **CASPAR** (Computer Aided Software for Project Risk Analysis) etc. Further, the use of methods based on Risk and response diagram began in 1980s.To measure a risk situation realistically, possible responses are essential. During the fag end of 1980s, use of influence diagram, combining with probability theory, had come in to reality besides applications of system dynamics for measuring risk.

2.7.4 As stock and bond markets developed globally in the nineteenth century, investors started looking for more affluent measures of risk. By 1950, investors in financial markets were using measures of risk based upon past prices and accounting information, in conjunction with broad risk categories, based upon security type and issuer reputation, to make judgements about risk. At about the same time, access to and reliability on financial report were gained momentum. Analysts were building risk measures that were based upon accounting numbers like Ratios of profitability etc. Financial leverages were also used to measure risk. Rating agencies were processing accounting information to provide bond ratings as measures of corporate credit risk.

2.7.5 Sharpe and Linter added a riskless asset model (Capital asset pricing model-CAPM) & concluded that there existed a superior alternative to investors at every risk level, created by combining the riskless asset with one specific portfolio on the efficient frontier. The model assumed that all investors shared a single period time horizon and that they could borrow and invest at the risk free rate. The model eliminates any rationale for holding back on diversification. Underlying the CAPM, its associated risk and performance measures, are on the strong assumptions that either

(i) All asset returns are normally (and therefore symmetrically) distributed; or

(ii) Investors care only about the mean and variance of returns, implying that upside and downside risks are viewed with equal distaste.

If we accept the assumptions of the capital asset pricing model, the risk of an individual asset becomes the risk added on to the market portfolio and can be measured statistically.

$$Risk\ of\ an\ asset = \frac{Co\,\mathrm{var}\,iance\ of\ asset\ with\ the\ market\ portfolio}{Variance\ of\ the\ market\ portfolio} = Asset\ Beta\ (\beta)$$

Unfortunately, neither assumption justifying the CAPM approach is satisfactory. The FAMA –French three factor model replaced CAPM as the workhorse for modeling asset returns. Further CARHART's four factor model took momentum. However, there is a need to go beyond to consider liquidity as an explicit risk factor as a lesson from the last global crisis.

Three types of traditional performance measures (Sharpe ratio, Treynor ratio and information ratio) and four types of downside risk measures (Adjusted Sharpe ratio 95% and 99%, Sortino ratio and RTSAD) were used during the period 2004 to 2007 to rank 21 Finnish stock funds. Despite standard deviation based ratios' weaknesses, they still give quite truthful image of the portfolio's performance. Downside risk measures did rank the funds a bit differently than Sharpe ratio, but mainly funds' rankings were close to each other. Only a few times, couple of funds was able to outperform the market index statistical significantly. However, downside risk measures bring valuable information about risks for investors and are a very effective tool for investor wanting to control risk. This way funds are being penalized only from returns that fall below investor's target rate of return. Moreover better understanding of risk is achieved when only returns that are below investors targets are taken into analysis. The time horizon of this study was a bit short for achieving reliable results. We need to compare these different portfolios and analyze, which portfolio strategy gives the best return besides to have a look for the enhancement of the existing models.

2.7.6 "VaR" (Value at Risk) model has well been accepted on the systematic evolution of traditional risk measurement models like Gap Analysis, Duration Analysis, Scenario Analysis, Portfolio Theory, Derivatives Risk measures etc**.** In recent years, the growth of trading activities and instances of financial market instability has prompted new studies underscoring the need for market participants to develop reliable risk measurement techniques. Value at- risk models aggregate the several components of price risk into a single quantitative measure of the potential for losses over a specified time horizon. These models are clearly appealing because they convey the market risk of the entire portfolio in one number. Moreover, value-at-risk measures focus directly, and in money terms, on a major reason for assessing risk in the first place, a loss of portfolio value. Recognition of these models by the financial and regulatory communities is the evidence of their growing use. The three most common categories of value-at-risk models are equally weighted moving average approaches, exponentially weighted moving average approaches, and historical simulation approaches. VaR models estimate the distribution of losses/gains on a portfolio of assets/liabilities over a given horizon. The measured VaRs are ultimately compared graphically and statistically with actual losses/gains over the period.

Measurement of *expected tail losses, the analysis of derivative security exposures, the estimation of value-at-risk and the application of multi-factor performance attribution models, are examples of some of the tools that investment performance analysts are using to respond to the world of investing.* Traditional measures of risk-adjusted returns such as Sharpe ratio, Treynor ratio and information ratio have also been questioned by academics and practitioners as to their effectiveness in stressful markets such as in the situation of recent credit turbulence.

2.7.7 Superior performance in the CAPM world is measured by "alpha", which the incremental expected return is resulting from managerial information (e.g. stock selection or market timing).

Shadwick and Keating (2002) and Cascon (2003), afterwards developed Omega measure, based on the portfolio return values below and above a given threshold. It is defined as the probability weighted ratio of gains to losses relative to a return threshold. The **Omega** measure is compatible with the second order random variable dominance. This measure can potentially take account of the whole probability distribution of the returns. It requires no parametric assumption on the distribution and is equal to

$$\Omega_l(x) = \frac{\int_L^b [1 - F(x)]\,dx}{\int_a^L F(x)\,dx} = \frac{I_{L,2}(X)}{I_{L,1}(X)}$$

where F (.) is the cumulative distribution function of the random variable X (equal to the portfolio return) defined on the interval [a, b]. The level L is the threshold chosen by the investor, returns smaller than L are viewed as losses (which correspond to $I_{L,1}(X)$ and those higher than L are gains (component $I_{L,2}(X)$). Thus, for a given threshold L, the investor would prefer the portfolio with the highest Omega measure. Further extensions of the global risk measures are based on more complex derivatives, such as exotic options, dynamic portfolio strategies etc.

3. FINDINGS

The global financial crisis has established sufficient reasons to rethink many of our ideas particularly in the areas of individual's preference, their assessment of probabilities and the behaviour of market price. There is an urgent need now to about turn the following key areas where severe unexpected or underappreciated consequences may happen.

3.1 CYBER SECURITY issues ranging from the growing prevalence of cyber theft to the little-understood possibility of all-out cyber warfare putting the industry vulnerable.

3.2 DEMOGRAPHIC CHALLENGES adding to fiscal pressures in advanced economies and creating severe risks to social stability in emerging economies leads to gradual market squeeze.

3.3 ECONOMIC NATIONALISM: Governments have willing to put money on the line to support national champions, even at the risk of irritating their trading partners and political allies resulting in putting the global industry under inelastic situation.

3.4 CHINESE INTEREST to acquire advanced engineering and design expertise of struggling manufacturers will ultimately reduce the global competition, particularly direct effect on advanced countries.

3.5 RETRENCHMENT FROM GLOBALISATION through populist response to economic disparities, if emerging economies do not take up a leadership role.

3.6 GLOBAL VALUE CHAIN: Due to never-ending political attention paid to some manufacturers, the lead firms in the supply chain may further weakened the relative position of suppliers. The decision by the Obama Administration to run the supplier support program through lead firms can only tie suppliers more tightly to old commercial relationships with firms that are losing market share, creating frustration to other global suppliers.

3.7 GOVERNMENT BAILOUT can be considered protectionist because they discriminate against foreign producers by assisting domestic and quasi-domestic companies only. Most examples of Murky Protectionism witnessed in the recent past, they are abuses of legitimate discretion which are used to discriminate against foreign goods, companies, workers and investors.

3.8 CURRENTLY as work shifts to the supply base, value added at the assembly stage falls, leading to a greater protectionist situation. Example in the automotive industry where lead firms have disproportionate power in the chain and can force their domestic supply base which invariably faces lower levels of protection and compete vigorously with foreign firms, enforcing world market prices for inputs manufactured at home. All benefits of protectionism of the final product then accrue to lead firms.

3.9 RESOURCE SECURITY issues causing extreme volatility and sustained increases over the long run in energy and commodity prices, if supply is no longer able to keep up with demand.

3.10 WEAPONS OF MASS DESTRUCTION especially the possibility of renewed nuclear proliferation between states. A signal of sudden change of the global scenario.

3.11 RISK ON WATER-FOOD-ENERGY nexus and the global illicit economy , will not disappear, but with each New Year, risk perceptions can vary both on the higher /lower side

3.12 RISKS OF THE INCREASED INTERNATIONALISATION TRENDS: The evaluation of current and future internationalization strategies reveals that the major global manufacturers are increasingly shifting production to lower-cost countries in Asia, Eastern Europe, and South America. Despite the unmistakable advantages, these internationalization strategies are not without hazards. In fact, it may lead to the declining competitiveness of car industries in developed countries. In turn, the increased reliance on lower-cost countries is dangerous because of political and market uncertainties and exchange rate instabilities. Negative developments in these areas have the potential to seriously damage the **global industry.**

3.13 CURRENCY MARKETS during the latest decades become more volatile. Along with increasing trends in globalization, the multinational companies face greater currency risks today than ever. These need to be managed in an efficient way having high commercial risk.

3.14 TAX IMPLICATION: A new area of global risk & Uncertainty. With growing acceptance of International Financial Reporting Standards (IFRS) around the world, Corporate should closely watch other countries' transitions to IFRS, as they could have a significant bearing on a company's global tax planning, a direct effect on ascertaining the selling price.

3.15 THREATS (OIL RESOURCES COUNTRIES): OPEC's member countries hold about two-thirds of the world's oil reserves. OPEC first sent shock waves throughout the world economy in 1973 by announcing a 70% rise in oil prices and by cutting production. The effects were immediate, resulting in fuel shortages, lower demand of goods and high inflation in many parts of the world.

3.16 Internal rivalry: Recent trend in the industry is the distribution of competition and conglomeration of the mature markets. This trend is going to be significant in the years to come through merger and acquisition. The severe competition and rivalry has been mainly because of the multiplicity, management strategies and related principles. The internal rivalry in the industry is further augmented by high fixed manufacturing costs and low switching cost for customers while buying different brands and models.

4. CONCLUSIONS

The global financial crisis has strengthened the claim that there is no free lunch or that it is not possible to beat the market in risk adjusted terms like all those apparently low risk, high return investments turned out to be high risk. Further global financial crisis has weakened the claim that many prices were clearly not right.

The main aim of the paper is to find out ways to minimise/end /solve the above mentioned concerns under findings. Though each area of concern has its own resolution, there is an urgent need to initiate the following steps.

4.1 A cluster of high economic risks includes macroeconomic imbalances and currency volatility. Macroeconomic imbalance has two aspects. One is expenditure imbalance, i.e. the allocation between investment and consumption. The other is external imbalance, i.e. the relation between production and expenditure and thus between exports and imports. In both cases the underlying issue is the inter-temporal distribution of consumption. Further, the oil price shocks compelled the countries to finance significant external imbalances, particularly when their deficits are due to the high price of vital energy imports. Systemically meaning of macroeconomic imbalances is either deficits or surpluses on a country's current accounts which are the recent global phenomenon. A well defined and balanced current account position is must for any country's long term economic steadiness.

4.2 Illegal economy comprises a cluster of risks including state fragility, illicit trade, organized crime, corruption and bribery. Illegal activities are the causes for Governance failures and economic disparity and major reasons for world illicit trade, organised crime and corruptions. Those are the major challenges today as they are responsible for state failure, terrorism and geo-political conflict which are directly proportionate to rising instability, nepotism, chronic negative business trends and systemic economic breakdowns. Further, financial mismanagement, money laundering, racketeering and tax evasion have rigorously destabilized the efficiency of global governance besides increasing global risk and adversely affecting global stability. To operate in such parallel economies continuously is globally dangerous and is also detrimental to economic development. There is an urgent need to plug all those nexus to save the world economy.

4.3 A rapidly rising global population and growing prosperity are putting unsustainable pressures on resources. Demand for water, food and energy is expected to raise by 30-50% in the next two decades exhibits a high mismatch. It ultimately could cause social and political instability, geopolitical conflict and irreparable environmental damage. Global apex body should come forward immediately to resolve the disparity.

4.4 To achieve worldwide quality standards, an essential condition to start supplying internationally competitive supply chains. For years now, Americans have been bracing for the attack of Chinese-made goods being imported into the United States. The concern is that cheaper Chinese models would eat up gradually a major market share of U.S and global market. A regulation on the basic price of all commodities is urgent to stabilise international trade.

4.5 Achieving quality standards i.e. to maintain productivity, require a great deal of automation. In order to be a viable supplier, productivity levels have to be sufficiently high and improved at the same speed as the average technological progress in the industrial sectors.

4.6 Firms should acquire design capabilities, which is a necessary step to greater independence and also a precondition to become lead supplier.

4.7 To ensure reliable and favourable framework conditions and to sustain long term competitiveness through continuous improvement of those conditions.

4.8 The cumulative effects of the different pieces of legislation affecting the various sectors should be scrutinized in order to have an overall assessment of their economic, social and environmental impacts.

4.9 Changes in any industry are vital and obvious. It should be holistic and should respect all factors influencing the competitiveness besides long term perspectives of corporate.

4.10 A work force in both manufacturing, R& D and servicing that is trained and prepared to work with an assembly of technologies.
4.11 Financial incentives are required to be technologically neutral and to avoid distorting competition.
4.12 Where threshold values are set for granting incentives, steps should be taken to avoid the risk of headstrong impacts on the market.
4.13 Incentives as a general rule should not be exceeded the additional cost of technology. It will ultimately reduce the risk that the incentive is used for subsidising the manufacturers.
4.14 All trade negotiations with potentially significant economic, social and environmental impact must be headed by an assessment of such effect. In addition, where appropriate, post appraisal of main trade agreement is also to be undertaken.
4.15 In order to protect the consumer interest, clear, appropriate, concise and consistent information on the products are to be followed meticulously.
4.16 At the outset, the evaluation of current and future internationalization strategies reveals that the major global manufacturers are increasingly shifting production to lower-cost countries in Asia, Eastern Europe, and South America. Continued increased reliance on lower-cost countries is dangerous because of political and market uncertainties and exchange rate instabilities. Negative developments in these areas have the potential to seriously damage the steadiness of global industry**,** balanced approach suggested.

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